

# PCTEL (Nasdaq: PCTI)

Performance Critical TElecom  
Technology Solutions for the Wireless Industry



# Safe Harbor Statement

**This presentation contains “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Specifically, the statements regarding PCTEL, Inc.’s future business prospects, forecasted financial information, technology roadmap, strategy, and perceived growth opportunities are forward looking statements within the meaning of the safe harbor. These statements are based on management’s current expectations and actual results may differ materially as a result of various risks and uncertainties. These risks and uncertainties include, among others:**

***Demand for wireless products as wireless markets mature;***

***PCTEL’s ability to develop and grow its wireless business, including in its vertical markets;***

***PCTEL’s ability to develop and successfully introduce new and enhanced products that meet our customers’ needs, particularly in the mobile IoT environment; and***

***PCTEL’s ability to achieve gross margin and cost reduction targets.***

**These and other risks and uncertainties are detailed in the filings of PCTEL with the SEC. The “forward-looking statements” contained in this presentation are made only as of this date, and PCTEL disclaims any obligation to update or revise them, including the financial projections.**

**The Company presents Non-GAAP financial measures. See the Company’s quarterly earnings press releases for the reconciliation of GAAP to Non-GAAP financial measures.**

# PCTEL Solves Complex RF Problems

PCTEL is a leading supplier of RF systems. Products include antennas, radios and test and measurement solutions to address Industrial IoT, 4G/5G infrastructure, Enterprise Wi-Fi, Fleet and Public Safety.

- ***Focus on non-commodity products*** that solve complex RF problems.
- **Expanding addressable target market and customer base** driven by user densification, connected devices and IIoT applications.
- **Strategic initiatives and growth of target markets** support targeted long term revenue growth during the next 3 to 5 years.
- **Strong balance sheet** with no debt and \$36.5 M in cash.
- **Healthy Free Cash Flow** (target is 7-8%)
- **Dividend yielding 5.0%**
- **Experienced management team**

## PCTEL (Nasdaq: PCTI)

**Recent Stock Price:** \$4.25

**Dividend  $\approx$  Yield:** \$0.22  $\approx$  5.0%

**Market Cap:** \$75MM

**Cash:** \$36.5MM (\$2.00 per share)

**Debt:** None

**Revenue (2017):** \$91MM

**Total Shares:** 18.3MM

**Management Ownership:** 6.8%

**Founded:** 1994

**Headquarters:** Bloomington, Illinois

**Offices:** Maryland, Ohio, China (Beijing, Tianjin, Hong Kong)

**Employees:**  $\approx$  500

# Current Situation

## Temporary customer headwinds

- Tier one operators reduced 2018 purchases of test and measurement equipment to prepare for 5G deployments.
- Large network equipment manufacturer reduced forecast for small cell antennas for remainder of 2018 due to operator deployment plans.

## PCTI long term potential

- Strong balance sheet with \$36.5M in cash, no debt.
- Favorable market trends - growing wireless markets with growing RF complexity present significant need for PCTEL products.
- Well positioned to sell test and measurement tools for communication technologies upgrade cycle in coming years.
- Four target verticals all have long term growth potential: Industrial IoT, 4G/5G, Enterprise Wi-Fi, and Fleet and Public Safety.
- Customer headwinds are short term in nature.



# Market Profile – Industrial IoT

- PCTEL provides antenna, radio and testing solutions for Industrial IoT infrastructure and devices.
- Trending growth of industrial applications will drive IoT expansion in smart utility grids, rail, agriculture, factory automation and mass transit.
- Estimate addressable market to more than double in the next 5 years.



IoT Connected Devices (billion)	2017	2023	CAGR
Wide-area IoT	0.8	4.1	31%
Cellular IoT (portion of Wide-area)	0.7	3.5	31%
Short-range IoT	6.2	15.7	17%
Total IoT Connected Devices	7.0	19.8	19%

Ericsson Mobility Report, June 2018







# Market Profile – 4G/5G

RF systems are becoming more complex

- 4G -> 5G evolution and coexistence.
- Deployments of 5G or multimode small cells will reach 5.2M in 2025, or 62% of total deployments that year.<sup>1</sup>
- Test equipment demand expected to increase to test multi-technology, multi-frequency networks in licensed and unlicensed spectrum.

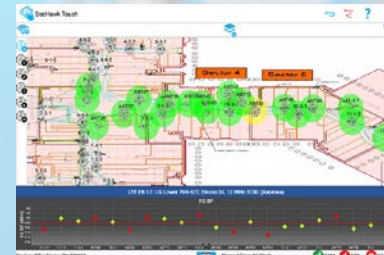


<sup>1</sup> Small cells market status report, Small Cell Forum, 14 February 2018



# Market Profile – In-Building and Enterprise Wireless

- By 2021, 63% of global mobile traffic (cellular) will be offloaded to Wi-Fi or small cell networks.<sup>1</sup>
- Enterprise-grade Wi-Fi systems, including 802.11ac and 802.11ax address growing demand for connectivity.
- Growing demand for in-building testing solutions for small cell and DAS networks.



<sup>1</sup> CISCO Visual Networking Index, 31 July 2018





# Market Profile – Fleet and Public Safety

- Public safety growth driven by government initiatives worldwide, including FirstNet, to equip first responders with advanced communication systems.
- Supports growing need for operational efficiencies for fleets.
- Applications
  - Police Cars
  - Public transit
  - Trains
  - Tractors
  - Mass Transit



Courtesy of Los Angeles Sheriff's Department





# Select Distribution Channels

## OEMs



## Distributors



## Direct



5G and Enterprise Wi-Fi Solutions

Industrial IoT and Fleet Products

Test and Measurement Solutions

# Why PCTEL is different

- Established supplier of highly specialized antennas, radios and testing tools to address customer RF needs.
- Heavy engineering and R&D focus; unique RF and product development skills across wireless technologies.
- Close collaboration establishes trust with customers through development, design verification and certification.
- Strong business in USA with global presence to expand.
- Positioned to benefit from growing markets, including Industrial IoT, 4G/5G infrastructure, Inbuilding, Enterprise Wi-Fi, and Fleet/Public Safety.

# Financial Targets

- Revenue growth will be driven by Fleet, Industrial IoT and Public Safety. These plus 4G/5G, Enterprise Wi-Fi will drive growth over the long-term.
- Expect to see improvements in gross profit margin and return to historical EBITDA margins with the rollout of 5G and increased test and measurement revenue.
- Zero debt with adequate cash for tuck in acquisitions.

	2018 GUIDANCE		2022 TARGET
REVENUE	\$82-85M	→	\$120-130M
GROSS PROFIT MARGIN	37-38%	→	40-42%
EBITDA MARGIN	4-5%	→	10-12%



# Summary

- Positioned to benefit from growing wireless markets with increased RF complexity.
- Industrial IoT, 4G/5G, Enterprise Wi-Fi, Fleet and Public Safety leverage all PCTEL's capabilities.
- Fundamentally sound; strong balance sheet with no debt and \$36.5M in cash, dividend yield of 5.0%.
- Regional strength in US and APAC for antenna systems, radio solutions and test and measurement.
- Strategic initiatives and growth of target markets support targeted long term revenue growth during the next 3 to 5 years.